

Commissioner Gary Pierce's Statement

More than seventy years ago, Justice Benjamin Cardozo observed in the case of *Baldwin v. Seelig* that the U.S. Constitution was “framed upon the theory that the peoples of the several states must sink or swim together, and that in the long run prosperity and salvation are in union and not division.” 294 U.S. 511, 523 (1935).

Admittedly, the evidence in this case has the potential to challenge one's commitment to that principle. California ratepayers stand to gain an estimated \$450 million if this application is approved while Arizona ratepayers stand to lose an estimated \$242 million. The temptation for me, as an Arizona Corporation Commissioner—who is subject to statewide election—is to discount the gains to California ratepayers and focus solely on the application's negative impact on Arizona ratepayers. I have concluded, however, that such a parochial outlook would not be in the best interests of our nation, or even in the long-term best interests of this State. I believe Arizona needs more, not less, interstate transmission lines. More access to power will help a struggling market in electric generation, and ultimately the electric consumer.

Thus, in weighing the “broad public interest” established in A.R.S. § 40-360.07, I have considered the benefits to California ratepayers alongside the detriment to Arizona ratepayers, and I am forced to conclude that, under appropriate conditions, this line has the potential to greatly enhance the public interest.

Unfortunately, however, the conditions under which the Devers to Palo Verde line would enhance the public interest are not present in the current application and, so far as I can tell, have not been proposed by any of the parties to this proceeding. This application does not adequately deal with the negative externalities of electric generation. The evidence in this case suggests that the

line will result in an estimated .05% increase in NOx emissions and .02% increase in water usage in Arizona. Yet the application does not internalize these negative externalities to Southern California Edison. Instead, it leaves them to be borne by Arizona residents.

By way of example, to internalize the negative externality of increased water usage in Arizona, Southern California Edison should purchase a portion of California's allocation of Colorado River water and transfer that water to Arizona to offset the increased water usage in Arizona attributable to this application. Similar mechanisms could and should be devised to internalize the impacts of this line on Arizona's land and air shed.

My vote against this application is not a vote for economic protectionism, nor is it a vote for balkanized energy markets. As I said earlier, we need more interstate transmission lines, not less. Instead, my vote against this application is a vote against the exportation of externalities from California to Arizona. My invitation to Southern California Edison is to come back to this Commission with an application that internalizes the externalities of electric generation to the California ratepayer and does not leave those externalities to be borne by Arizona residents. I will support that application.